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# The CIA Goof On Soviet Oil

*Russia's problems are not  
as dire as the spooks predict*

By Marshall I. Goldman

CENTRAL Intelligence Agency reports that the Soviet Union is having dire energy problems of its own have prompted cheers from some Americans. Well, the cheering can stop for now.

There is really little reason to believe at this point that the Soviet problem is as serious as the CIA suggests or that it will further deteriorate to the degree or as soon as the agency predicts. And a good thing, too.

Some people may enjoy rubbing their hands with ideological glee at the fact that the communist system, too, is having energy pains, that we capitalists are not alone in this respect. But a Soviet energy crunch of the magnitude the CIA has projected — one in which the Kremlin, the world's largest petroleum producer, would have to import 700,000 barrels of oil a day by 1982 — would not be pleasant news at all.

It would have an enormous impact not only on the Kremlin and on Eastern Europe — most of which now imports more than 90 percent of its oil from the Soviet Union — but on the rest of us as well. If the Russians, the world's second largest oil exporters, start such importing instead, the non-communist world would have to fight to fill its tanks with 4.5 million to 5.5 million barrels a day less petroleum available. Our gas line panic after the Iran cutoff was triggered by the loss of less oil from the world market.

That is one reason why it's important to understand the shakiness of the CIA estimates, which date from a 1977 report and which have been reinforced by recent news stories on CIA congressional testimony that Soviet production "hit a record 11.7 million barrels daily in April and has been declining steadily ever since."

Marshall Goldman, associate director of Harvard's Russian Research Center, is currently working on a book on Soviet petroleum production and the impact of CIA analyses.

While our intelligence sleuths may ultimately be correct about this year, so far their reports appear premature. Yes, the rate of Soviet petroleum production this past May did seem to fall from April — but not from May 1978. Official Soviet statistics show that the same amount was produced in May of both years. More important, production jumped again in June this year, rising 2.5 percent from June 1978. For that matter, petroleum production for the entire first half this year was up 2.5 percent.

Granted that this trails well behind the 5 percent to 6 percent annual advances registered not long ago. But at the current rate the gain for this year will still amount to as much as 280,000 barrels a day. Moreover, there is good reason to believe that, like other sectors of the Soviet economy, oil output was seriously hampered by a record cold in January and February and nine-foot floods at the West Siberian fields in May. Given the disruption of regular work conditions, especially in May, it's remarkable that the Soviets were even able to sustain production.

## A self-defeating prophecy

There is no doubt, of course, that the Soviet Union is having its own version of petroleum production problems, but it is very hard to predict when its output might fall. The Soviets have vast sedimentary basins that have not yet been explored, though, unfortunately for them, they are located offshore or in remote areas. Yet the Soviets are slowly increasing their geological efforts. Of course, if oil is found it would take some time to bring these fields into production. Nevertheless, the potential is important for the late 1980s and early 1990s.

In the more immediate future, the Soviets are counting on more effective use of secondary recovery methods. The main method they have been using has been to inject water into wells to restore pumping pressure. But, as the CIA points out, this method has been used in a shotgun manner, so that on the average about half the liquid extracted from Soviet wells is water. Even more significant, in some instances water injection has actually lowered the ultimate amount of petroleum that will be recovered.

This was not so much a problem in the older Volga-Ural production areas. But the use of water injection has accelerated the depletion rate in West Siberian fields, which now provide half the country's petroleum output and have been used to offset falling production elsewhere. While it took 18 years of water injection in the major field in the Volga-Urals before the water content of the fluid being lifted rose to 10 percent, in West

Siberia that level was reached in only three years.

The CIA prediction that, by 1985, Soviet production will fall off so sharply that the Soviet Union and its East European allies will be importing 3.5 million to 4.5 million barrels a day seems to hinge on the counterproductive effect of West Siberian water injection.

What the CIA does not seem to consider is that its latest report may become another self-defeating prophecy. The agency, in other words, has left out the impact its earlier report had on the Soviet government. It appears to have prodded the Soviets into action.

For years Soviet officials had been discussing the need to cope with their petroleum problem, but did little. With the 1977 CIA report in hand, though, the petroleum minister suddenly was able to come up with the hard currency for the technology imports he had been pleading for since the mid-1970s. In rapid order, the Soviets signed contracts for a drill bit plant, a factory to produce secondary recovery chemicals, and a \$220 million gas-lift process to replace water injection in the West Siberian fields. Most of these projects had been pending for years, some from 1973, but only after the CIA report came out was the money allocated.

The CIA report has had the opposite effect, though, on some Americans. They see this as a chance to exert pressure on the Soviets, to tell them that unless they do as we wish on SALT or on human rights, we won't sell them the technology they need. That leverage, however, only goes so far. The Soviets can do as they did when they had trouble buying the gas-lift equipment from us: They switched their orders to the French or the Japanese, who oppose such leverage if it interferes with business.

#### **They'd rather switch and save**

Finally, even if the Soviet effort fails and petroleum production does decline as the CIA predicts, it is unlikely that the Soviets and East Europeans will import as much as the CIA says. It simply would cost them too much.

At present, half Soviet Union's hard currency earnings come from its petroleum exports. If they lose this \$6 billion or so in hard currency, they will have that much less with which to buy the oil the CIA says they will import by 1982 or 1983. If the CIA is right, the Soviets and East Europeans would have to spend at least \$25 billion to \$30 billion on petroleum. When added to their regular imports of about \$13 billion, that would leave them with a trade deficit of at least \$32 billion to \$37 billion. Not many countries can handle that kind of trade deficit.

The greater likelihood is that the Soviets will conserve and switch to other types of energy. Their coal production is not increasing as fast as planned, but they have the largest reserves of natural gas in the world, and their production this past June was up 10 percent from June 1978.

They are also moving vigorously toward atomic energy. The Soviet public has been told that atomic energy plants are safe, that it is anti-nuclear protests which are unsafe. As the president of the Soviet Academy of Science has put it, "the actual reason behind the whole fuss over nuclear construction" in the United States has nothing to do with safety. The "real reason is that the development of large nuclear power stations could endanger the profit of the fuel producing monopolies."

Their logic on this obviously leaves something to be desired. But the point is that the Soviets are doing something to provide for their energy needs.